

Company Announcements  
Australian Stock Exchange, Sydney

24 February 2017

**Announcement of Half-Year Results – 31 December 2016**

Half-year information given to the ASX under Listing Rule 4.2A

Please find attached the following documents with respect to the Group's results for the half-year ended 31 December 2016:

- Appendix 4D; and
- Interim financial report for the half-year ended 31 December 2016, including the auditor's unqualified review report.

This information should be read in conjunction with the most recent Annual Report of the Group for the financial year ended 30 June 2016.

Yours' sincerely,



Biju Vikraman  
Joint Company Secretary

# Appendix 4D

Lodged with the ASX under Listing Rule 4.2A.3  
Results for Announcement to the Market

## Half-Year Ended 31 December 2016

(Previous corresponding period – Half-Year Ended 31 December 2015)

				\$
Revenue from ordinary activities	down	10%	to	4,320,870
Profit from ordinary activities before tax attributable to members	down	14%	to	975,913
Profit from ordinary activities after tax attributable to members	up	245%	to	2,745,710

Dividends per share	Amount per security	Franked amount per security
Interim Dividend – FY17 (proposed)	1.5 cents	0.75 cents
Final Dividend – FY16 (paid)	3.0 cents	3.0 cents

Record date for determining entitlements to the interim dividend is

20 March 2017

### Explanation of Revenue

Revenue from continuing operations for the half-year totalled \$4,320,870 (HY15: \$4,790,736) representing a 10% decrease over the previous corresponding period.

Our core recurring funds management income dropped 6% to \$3,724,297 from \$3,963,634 in HY15. Our Software revenue decreased to \$383,858 from \$616,865 on account of drop in membership levels.

The Clime Group had positive funds inflows from new and existing investors for the 6 month period to 31 December 2016 and positive performances across all portfolios; however, client withdrawals and drawdowns for pension and personal needs kept the overall funds under management (FUM) at flat levels. Gross FUM as at 31 December 2016 was approximately \$607 million at 31 December 2016. FUM stood at \$610 million at 30 June 2016.

Direct investment income increased from \$43,011 in HY15 to \$820,487 this half year, mainly due to mark to market movements on our investments in Clime Capital Limited.

### Explanation of Net Profit

Clime Investment Management Limited recorded an after tax profit attributable to members of \$2,603,204 for the half-year to 31 December 2016 (HY15: \$846,952 profit).

Whilst our core recurring funds management income dropped slightly from \$3,963,634 to \$3,724,297 and investment software revenue dropped from \$616,865 to \$383,858; our direct investments increased from \$43,011 to \$820,487 during HY16.

Administration expenses were \$3,973,355 (compared to \$3,896,151 for HY 15).

Share of profit of associate decreased from \$516,820 to \$490 due to de-merger of Jasco Holdings from Clime Investment Management Limited.

As a result of the de-merger, the deferred tax liability amount of \$1,941,185 carried in the books in relation to the unrealised gains on investments in Jasco Holdings was credited to the statement of profit or loss and other comprehensive income.

### Net tangible assets per security

	Current period	Previous corresponding period
Net tangible asset backing per ordinary share before tax	\$0.20	\$0.40
Net tangible asset backing per ordinary share after tax	\$0.20	\$0.34

### Dividends

Details of dividends/distributions declared or paid during or subsequent to the six months ended 31 December 2016 are as follows:

Record Date	Payment Date	Type	Amount per security	Total Dividend \$000's	Franked amount per security	Foreign sourced dividend amount per security
16 September 2016	23 September 2016	Final	3.0 cents	1,512	3.0 cents	-
20 March 2017	3 April 2017	Interim	1.5 cents	752	0.75 cents	-

### Dividend/Distribution Reinvestment Plans

The consolidated entity does not currently operate a dividend/distribution reinvestment plan.

### Associates and Joint Venture entities

Name	Ownership Interest		Contribution to net profit	
	Current period %	Previous corresponding period %	Current period \$	Previous corresponding period \$
JASCO Holdings Limited	-	21.8	490	516,820

### Review

This report is based on accounts that have been reviewed. The unqualified review report is attached on page 16 of the attached Interim Financial Report.

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# Clime Investment Management Limited

Interim Financial Report - 31 December 2016



**GENERAL PURPOSE INTERIM FINANCIAL REPORT 31 DECEMBER 2016**

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Dear Shareholders

Your Directors present their report on the consolidated entity (Group) consisting of Clime Investment Management Limited and the entities it controlled ("Clime") for the half-year ended 31 December 2016.

## Directors

The following persons were Directors of Clime Investment Management Limited during the financial period end up to the date of this report:

Donald McLay	-	Chairman
John Abernethy	-	Director
Neil Schafer	-	Independent Director
Allyn Chant	-	Independent Director

## Review of Operations

**Gross balances of FUM as at 31 December total \$607m (\$610m June 30) were as follows:**

Funds Under Management (FUM)	31 December 2016	30 June 2016
1. Clime Individually Managed Accounts	\$389 million	\$387 million
2. Clime Capital Limited	\$ 84 million	\$ 80 million
3. Managed Funds	\$134 million	\$143 million

It should be noted Clime Individually Managed Accounts do have funds invested in Clime Managed Funds. Clime had positive funds inflows from new and existing investors for the 6 month period to 31 December 2016 and positive performances across all portfolios; however client withdrawals and drawdowns for pension and personal needs kept overall funds at flat levels.

## Half-Year Result

Clime recorded an after-tax profit attributable to members of \$2,603,204 for the half-year to 31 December 2016 (31 December 2015 after-tax profit attributable to members was \$846,952). Profit after-tax includes an amount of \$1,941,185 credited to the statement of profit or loss and other comprehensive income on account of the reversal of a deferred tax liability previously recognised in relation to unrealised gains on investments in Jasco Holdings.

Earnings per share for the six month period to 31 December 2016 were positive 5.6 cents per share (31 December 2015 1.6 cents per share).

A simplified version of the Group's Profit and Loss to enable shareholders to distinguish between the operational business and the balance sheet income components follows.

Underlying cash profit for HY 2016 at \$1,071,774 is less than the \$1,577,740 achieved in HY2015.

**DIRECTORS' REPORT**

for the Half-Year ended 31 December 2016

Clime Investment Management Limited and Controlled Entities

	<b>31 December 2016</b>	<b>31 December 2015</b>
	<b>\$</b>	<b>\$</b>
Funds Management and related activities revenue	3,724,297	3,963,634
Investment Software revenue	383,858	616,865
Administration and occupancy costs – fixed in nature	(2,899,265)	(2,641,190)
Third party custody, Management & Fund administration services	(525,984)	(596,525)
<b>Operating business activities revenue less fixed admin costs</b>	<b>682,906</b>	<b>1,342,783</b>
FUM growth incentives and marketing costs	(432,109)	(324,874)
Operating business margin	<b>250,797</b>	1,017,909
Balance sheet income	820,487	43,011
Associate	490	516,820
Underlying cash profit	<b>1,071,774</b>	<b>1,577,740</b>
Other income	140,750	-
Termination costs	-	(179,654)
Amortisation	(236,611)	(259,445)
<b>Statutory profit before income tax</b>	<b>975,913</b>	<b>1,138,641</b>

Funds management fees, of \$3,724,297 declined slightly from \$3,963,634 earned in HY2015, on account of nominally lower FUM. Gross FUM as at 31 December 2016 was \$607m compared to \$646m in December 2015.

Software revenue from StocksinValue business was \$383,858 compared to \$616,865 in HY2015. Membership levels have dropped from 1,832 as at 31 December 2015 to 1,425. The company is initiating a strategic review to address membership levels.

Fixed administration costs and occupancy costs rose to \$2,899,265 in HY2016 from \$2,641,190 incurred in HY2015, primarily as result of various strategic initiatives and de-merger activities undertaken by the board to grow the operating business. \$220k of expenses related to these initiatives. Our core funds management business costs have been held at stable levels.

Third Party Custody, Management & Funds Administration service costs have reduced in the half year to \$525,984 from \$596,525 incurred in HY2015.

Balance sheet income comprises dividend, interest income, realised gains as well as mark to market of our investment in Clime Capital Limited. For the 6 months to December 2016 we had \$222,576 of income and \$597,911 mark up in Clime Capital Limited ordinary and preference shares.

Amortisation decreased slightly this half year from \$259,445 to \$236,611.

On 27 October 2016 Clime shareholders approved the separation of Clime's shareholdings in Jasco Holdings Limited via a new subsidiary company Clime Private Limited (Clime Private) and in specie distribution of Clime Private shares on a 1 on 1 basis by way of a capital reduction. The demerger was to simplify Clime's structure and to potentially unlock shareholder value. The distribution of Clime Private shares involved a reduction in Clime's paid up share capital (Contributed equity).

This demerger was completed on 11 November 2016.

As a result of this Demerger, the carrying value of Jasco Holdings Limited of \$7,802,806 at the record date (3 November 2016) was de-recognised from the company's books. Consequently, the deferred tax liability amount of \$1,941,185 carried in the books in relation to the unrealised gains was credited to the statement of profit or loss and other comprehensive income.



**Summary of Total Equity**

	<b>31 December 2016</b>	<b>30 June 2016</b>
	<b>\$</b>	<b>\$</b>
The Total Equity at balance date comprised the following:		
Cash and Cash Equivalents	5,173,648	4,114,062
Trade and other receivables less payables	(581,647)	(782,600)
Listed Investments – Clime Capital Limited	4,875,502	4,584,427
Unlisted Investments – Managed Funds	960,890	2,508,591
Equity accounted investment – Jasco Holdings Limited	-	8,752,418
Other Tangible Assets and Liabilities	(826,126)	(3,353,817)
<b>Net Tangible Assets</b>	<b>9,602,267</b>	<b>15,823,081</b>
Intangibles – Goodwill and Management Contracts	6,737,574	6,974,185
Deferred Tax Assets	357,490	722,146
<b>Total Equity</b>	<b>16,697,331</b>	<b>23,519,412</b>
No. of Ordinary Shares on Issue as at 31 December / 30 June 2016	<b>48,762,000</b>	49,021,093
<b>Equity per Share</b>	<b>34.2 cents</b>	48.0 cents
<b>Net Tangible Assets per Share</b>	<b>19.7 cents</b>	32.3 cents

**Dividend**

During the six months to December 2016 shareholders received 3 cents per share fully franked dividend amounting to \$1.5m which was paid in September 2016.

**Subsequent Events**

An interim dividend of 1.5 cents per share (50% franked), totalling \$752,055 has been declared by the directors. This provision has not been reflected in these accounts.

The company announced today the formation of a strategic alliance with Futuro Financial Services Pty Limited, one of Australia's largest non-bank financial advisory groups.

A key output of the alliance will be the creation of a Clime branded financial advisory network under the "Clime Private Wealth" banner. The first office will commence in Brisbane and it is planned to have at least 3 offices operating in major capital cities by the end of calendar 2017.

No other matters or circumstances have arisen since the end of the reporting period which significantly affect or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in the future financial periods.

**Auditor's Independence Declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

**Rounding off of amounts**

In accordance with the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the directors' report and in the financial report have been rounded to the nearest dollars.

This report is made in accordance with a resolution of the Directors and is signed for and on behalf of the Directors by:



Donald McLay  
Chairman



Neil Schafer  
Director

Sydney, 24 February 2017

**AUDITOR'S INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF CLIME INVESTMENT MANAGEMENT LIMITED  
ABN 37 067 185 899**

In relation to the independent auditor's review for the half-year ended 31 December 2016, to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Clime Investment Management Limited and the entities it controlled during the period.



S M WHIDDETT  
Partner

PITCHER PARTNERS  
Sydney

24 February 2017

# **Clime Investment Management Limited**

## **Interim Financial Statements - 31 December 2016**

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These interim financial statements do not include all the notes of the type normally included in an annual report. Accordingly, these statements are to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by Clime Investment Management Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

# **CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

for the Half-Year ended 31 December 2016

Clime Investment Management Limited and Controlled Entities

	<b>Half-year</b>	
	<b>31 December 2016 \$</b>	<b>31 December 2015 \$</b>
<b>Revenue</b>	<b>4,320,870</b>	4,790,736
Net realised and unrealised gain/(loss) on financial assets at fair value through profit or loss	<b>607,772</b>	(167,226)
Other income	<b>140,750</b>	-
Occupancy expenses	<b>(120,614)</b>	(105,538)
Administration expenses	<b>(3,973,355)</b>	(3,896,151)
Share of profit of associate	<b>490</b>	516,820
<b>Profit before income tax</b>	<b>975,913</b>	1,138,641
Income tax expense attributable to operating profit	<b>(171,388)</b>	(341,780)
Income tax benefit arising from de-recognition of deferred tax liability – refer note 8	<b>1,941,185</b>	-
Total income tax benefit/(expense)	<b>1,769,797</b>	(341,780)
<b>Profit for the period</b>	<b>2,745,710</b>	796,861
Other comprehensive income, net of income tax	<b>(142,506)</b>	50,091
<b>Total comprehensive income attributable to members of Clime Investment Management Limited</b>	<b>2,603,204</b>	846,952
<b>Earnings per share for profit attributable to the ordinary equity holders of the company:</b>		
Basic earnings per share	<b>5.6 cents</b>	1.6 cents
Diluted earnings per share	<b>5.5 cents</b>	1.6 cents

*The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.*

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

Clime Investment Management Limited and Controlled Entities

	31 December 2016 \$	30 June 2016 \$
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	5,173,648	4,114,062
Trade and other receivables	476,641	386,578
Other current assets	90,928	138,163
Financial assets at fair value through profit or loss	5,836,393	7,093,018
Current tax assets	269,976	74,994
Total Current Assets	<u>11,847,586</u>	<u>11,806,815</u>
<b>Non-Current Assets</b>		
Investments accounted for using the equity method	-	8,752,418
Property, plant and equipment	63,843	90,360
Deferred tax assets	357,490	722,147
Intangible assets	6,737,574	6,974,185
Total Non-Current Assets	<u>7,158,907</u>	<u>16,539,110</u>
<b>Total Assets</b>	<u>19,006,493</u>	<u>28,345,925</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Trade and other payables	1,328,264	1,244,171
Unearned revenue	769,324	1,028,900
Provisions	149,517	209,556
Total Current Liabilities	<u>2,247,105</u>	<u>2,482,627</u>
<b>Non-Current Liabilities</b>		
Deferred tax liabilities	62,057	2,343,886
Total Non-Current Liabilities	<u>62,057</u>	<u>2,343,886</u>
<b>Total Liabilities</b>	<u>2,309,162</u>	<u>4,826,513</u>
<b>Net Assets</b>	<u>16,697,331</u>	<u>23,519,412</u>
<b>EQUITY</b>		
Issued capital	13,914,911	21,860,316
Reserves	123,815	234,318
Retained earnings	2,658,605	1,424,778
<b>Total Equity</b>	<u>16,697,331</u>	<u>23,519,412</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the Half-Year ended 31 December 2016

Clime Investment Management Limited and Controlled Entities

Consolidated	Issued capital	Share-based payments reserve	Other reserves	Retained earnings	Total
	\$	\$	\$	\$	\$
<b>Balance as at 1 July 2015</b>	<b>21,377,217</b>	<b>123,805</b>	<b>84,042</b>	<b>3,372,738</b>	<b>24,957,802</b>
Profit for the period	-	-	-	796,861	796,861
Other comprehensive income for the period net of tax	-	-	50,091	-	50,091
<b>Total comprehensive income for the period net of tax</b>	<b>-</b>	<b>-</b>	<b>50,091</b>	<b>796,861</b>	<b>846,952</b>
<b>Transactions with equity holders in their capacity as equity holders:</b>					
- On-market buy-back, including transaction costs	(30,369)	-	-	-	(30,369)
- Recognition of share-based payments	-	40,790	-	-	40,790
- Transfer of loan repayment to issued capital on completion of EIS loan term	499,200	-	-	-	499,200
- Transfer from share-based payments reserve to issued capital on completion of EIS loan term	96,000	(96,000)	-	-	-
- Dividends provided for or paid	-	-	-	(1,507,345)	(1,507,345)
<b>Balance as at 31 December 2015</b>	<b>21,942,048</b>	<b>68,595</b>	<b>134,133</b>	<b>2,662,254</b>	<b>24,807,030</b>
Profit for the period	-	-	-	268,469	268,469
Other comprehensive income for the period net of tax	-	-	8,373	-	8,373
<b>Total comprehensive income for the period Net of Tax</b>	<b>-</b>	<b>-</b>	<b>8,373</b>	<b>268,469</b>	<b>276,842</b>
<b>Transactions with equity holders in their capacity as equity holders:</b>					
- On-market buy-back, including transaction costs	(81,732)	-	-	-	(81,732)
- Recognition of share-based payments	-	23,217	-	-	23,217
- Transfer of loan repayment to issued capital on completion of EIS loan term	-	-	-	-	-
- Transfer from share-based payments reserve to issued capital on completion of EIS loan term	-	-	-	-	-
- Dividends provided for or paid	-	-	-	(1,505,945)	(1,505,945)
<b>Balance as at 1 July 2016</b>	<b>21,860,316</b>	<b>91,812</b>	<b>142,506</b>	<b>1,424,778</b>	<b>23,519,412</b>
Profit for the period	-	-	-	2,745,710	2,745,710
Other comprehensive income for the period net of tax	-	-	(142,506)	-	(142,506)
<b>Total comprehensive income for the period net of tax</b>	<b>-</b>	<b>-</b>	<b>(142,506)</b>	<b>2,745,710</b>	<b>2,603,204</b>
<b>Transactions with equity holders in their capacity as equity holders:</b>					
- On-market buy-back, including transaction costs	(142,599)	-	-	-	(142,599)
- Recognition of share-based payments	-	32,003	-	-	32,003
- Transfer of loan repayment to issued capital on completion of EIS loan term	-	-	-	-	-
- Transfer from share-based payments reserve to issued capital on completion of EIS loan term	-	-	-	-	-
- In-specie distribution of equity accounted investment	(7,802,806)	-	-	-	(7,802,806)
- Dividends provided for or paid	-	-	-	(1,511,883)	(1,511,883)
<b>Balance as at 31 December 2016</b>	<b>13,914,911</b>	<b>123,815</b>	<b>-</b>	<b>2,658,605</b>	<b>16,697,331</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT CASH FLOWS**

for the Half-Year ended 31 December 2016

Clime Investment Management Limited and Controlled Entities

	<b>Half-Year</b>	
	<b>31 December 2016</b>	<b>31 December 2015</b>
	<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Fees received in the course of operations	<b>4,150,180</b>	5,575,629
Expense payments in the course of operations	<b>(4,114,214)</b>	(4,724,810)
Dividends received	<b>147,250</b>	145,184
Dividends received from associate	<b>47,594</b>	129,669
Interest received	<b>39,557</b>	65,053
Income tax paid	<b>(341,605)</b>	(349,148)
	<b>(71,238)</b>	841,577
Proceeds on sale of financial assets at fair value through profit or loss	<b>2,305,344</b>	159,269
Payments for financial assets at fair value through profit or loss	<b>(415,039)</b>	(1,150,901)
	<b>1,890,305</b>	(991,632)
<b>Net cash inflow provided by/(used in) operating activities</b>	<b>1,819,067</b>	(150,055)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property, plant & equipment	<b>(5,000)</b>	(3,022)
Proceeds from sale of equity accounted investment	<b>900,000</b>	-
<b>Net cash inflow provided by/(used in) by investing activities</b>	<b>895,000</b>	(3,022)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments for shares bought back (net of transaction costs) – refer note 3	<b>(142,598)</b>	(30,369)
Dividends paid to company's shareholders	<b>(1,511,883)</b>	(1,507,345)
<b>Net cash used in financing activities</b>	<b>(1,654,481)</b>	(1,537,714)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>1,059,586</b>	(1,690,791)
Cash and cash equivalents at beginning of the period	<b>4,114,062</b>	7,504,730
<b>Cash and cash equivalents at end of the period</b>	<b>5,173,648</b>	5,813,939

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.*

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the Half-Year ended 31 December 2016

Clime Investment Management Limited and Controlled Entities

### NOTE 1: BASIS OF PREPARATION OF THE INTERIM FINANCIAL REPORT

#### (a) Basis of accounting

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 have been prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*.

These half-year financial statements are prepared in accordance with the historical cost convention with the exception of the valuation of investments.

These condensed half-year financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2016 and any public announcements made by the Group during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

#### Details of Reporting Period

The current reporting period is the half year ended 31 December 2016. For the Statement of Profit or Loss and Other Comprehensive Income, State of Changes in Equity and the Statement of Cash Flow, the previous corresponding period is the half year ended 31 December 2015. For the Statement of Financial Position, the previous corresponding date is 30 June 2016.

#### (b) Accounting policies

The accounting policies applied in these interim financial statements have been applied consistently throughout the period and are the same as those applied in the Group's financial statements as at and for the year ended 30 June 2016.

There are no new and revised accounting requirements significantly affecting the half yearly financial report. The half year financial report was authorised for issue on 24 February 2017.

#### (c) Rounding off of amounts

In accordance with the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the directors' report and in the financial report have been rounded to the nearest dollars.

### NOTE 2: DIVIDENDS

	Half-year	
	2016 \$	2015 \$
<b>Fully Paid Ordinary Shares</b>		
3 cents per share (2015: 3 cents) fully franked dividends were paid during the period in respect of the previous financial year	<u>1,511,883</u>	<u>1,507,345</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the Half-Year ended 31 December 2016

Clime Investment Management Limited and Controlled Entities

### NOTE 3: ISSUING AND REPURCHASES OF EQUITY SECURITIES

	Half-year		Half-year	
	2016 No. of Shares	2015 No. of Shares	2016 \$	2015 \$
<b>Repurchases of ordinary shares during the half-year</b>				
On-market buy-back of ordinary shares during the half-year	<b>259,093</b>	46,678	<b>142,598</b>	30,369

#### Employee Incentive Scheme ("EIS")

As at 31 December 2016, there are 1,375,000 (December 2015: 1,050,000) EIS 'in-substance' options on issue. During the period 400,000 new in-substance options were granted, 75,000 in-substance options were transferred/forfeited during the period, and none of the in-substance options were exercised.

Share options granted under the Company's employee incentive scheme carry no rights to dividends and no voting rights.

### NOTE 4: SEGMENT INFORMATION

Our internal reporting system produces reports in which business activities are presented in a variety of ways. Based on these reports, the Executive Board, which is responsible for assessing the performance of various components of the business and making resource allocation decisions as our Chief Operating Decision Maker (CODM), evaluates the business activities in a number of different ways. The Group's reportable segments under AASB 8 are as follows:

- Funds management
- Investment software
- Direct investments

#### *Funds Management*

The Group's Funds Management business, Clime Asset Management Pty Ltd is based in Sydney. This business generates operating revenue (investment management and performance fees) as remuneration for managing the investment portfolios of individuals and corporations.

#### *Investment Software*

Consulting revenue is generated from the provision of investment research analysis to institutional clients, and wealth structuring and taxation advice to high net worth private clients. Revenue generated from external subscriptions to the Group's proprietary web-based investment software, Stocks in Value is also included within this division.

#### *Direct Investments*

Includes revenue generated by the Group's direct investments in listed and unlisted securities and managed investment schemes. A significant proportion of the Group's direct investments are 'self-managed' and include material investments in the ASX listed company Clime Capital Limited and the unlisted, unregistered managed fund The Clime Australian Income Fund.

There have been no changes in basis of segmentation or basis of segment profit or loss since the previous financial report.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the Half-Year ended 31 December 2016

Clime Investment Management Limited and Controlled Entities

The following is an analysis of the Group's revenue and results by reportable operating segment for the periods under review:

	Revenue Half-year ended		Segment Profit/ (Loss) Half-year ended	
	31 Dec 2016 \$	31 Dec 2015 \$	31 Dec 2016 \$	31 Dec 2015 \$
Funds management	3,724,297	3,963,634	829,543	1,111,887
Investment Software	383,858	616,865	(54,223)	49,230
Direct investments	820,487	43,011	820,487	43,011
	4,928,642	4,623,510	1,595,807	1,204,128
Share of profits of associate and joint venture accounted for using the equity method			490	516,820
Central administration costs			(620,384)	(582,307)
Profit before tax from continuing operations			975,913	1,138,641
Income tax expense			1,769,797	(341,780)
Consolidated segment revenue and profit for the period	4,928,642	4,623,510	2,745,710	796,861

The revenue reported above represents revenue generated from external customers. There were no intersegment sales during the period.

Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, share of profits of associates, and income tax. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Information about the segment assets and liabilities are not regularly reviewed by the CODM. As a result information relating to segment assets and liabilities are not presented.

### NOTE 5: EVENTS OCCURRING AFTER THE REPORTING DATE

An interim dividend of 1.5 cents (50% franked) (2015: 3 cents fully franked) per share, totalling \$752,055 (2015: \$1,505,945) has been declared by the directors. This provision has not been reflected in the accounts.

The company announced today the formation of a strategic alliance with Futuro Financial Services Pty Limited, one of Australia's largest non-bank financial advisory groups.

A key output of the alliance will be the creation of a Clime branded financial advisory network under the "Clime Private Wealth" banner. The first office will commence in Brisbane and it is planned to have at least 3 offices operating in major capital cities by the end of calendar 2017.

No other matters or circumstances have arisen since the end of the half-year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

### NOTE 6: CONTINGENT LIABILITIES AND COMMITMENTS

There has been no material change in contingent liabilities or commitments since the last annual reporting date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the Half-Year ended 31 December 2016

Clime Investment Management Limited and Controlled Entities

### NOTE 7: FAIR VALUE MEASUREMENT

The Group measures and recognises financial assets and liabilities held at fair value through profit or loss on a recurring basis. The Group has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

#### (i) Recognised fair value measurements

All financial instruments that are measured subsequent to initial recognition at fair value comprise financial assets at fair value through profit or loss, available-for-sale financial assets and contingent consideration.

At 31 December 2016	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets at fair value through profit or loss				
- Listed equities and funds	4,827,240	-	-	4,827,240
- Listed preference shares	48,263	-	-	48,263
- Unlisted funds	-	960,890	-	960,890
	4,875,503	960,890	-	5,836,393

  

At 30 June 2016	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets at fair value through profit or loss				
- Listed equities and funds	4,581,236	-	-	4,581,236
- Listed preference shares	3,191	-	-	3,191
- Listed options	-	2,508,591	-	2,508,591
	4,584,427	2,508,591	-	7,093,018

#### (ii) Transfers between levels

Management's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between levels in the fair value hierarchy at the end of the reporting period.

#### (iii) Fair value of financial instruments not carried at fair value

The carrying value of trade receivables and trade payables are assumed to approximate their fair values. Net assets attributable to unit holders' carrying value differs from its fair value (deemed to be redemption price for individual units) due to differences in valuation inputs. This difference is not material in the current or prior period.

#### (iv) Valuation technique

##### Listed Investment in equity and preference securities and managed funds

When fair values of publicly traded equities and preference securities and managed funds are based on quoted market prices in an active market, the instruments are included within Level 1 of the hierarchy. The Group values these investments at closing prices at year end.

##### Unlisted managed funds

The Group invests in managed funds, which are not quoted in an active market. The Group considers the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investing, to ensure they are reasonable and appropriate and therefore the NAV of these funds may be used as an input into measure their fair value. In measuring this fair value, consideration is also paid to any transactions in the shares of the fund. Depending on the nature and level of adjustments needed to the NAV and the level of trading in the fund, the Group classified these funds as Level 2.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the Half-Year ended 31 December 2016

Clime Investment Management Limited and Controlled Entities

### NOTE 8: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

On 27 October 2016 Clime shareholders approved the separation of Clime's shareholdings in Jasco Holdings Limited via a new subsidiary company Clime Private Limited (Clime Private) and in specie distribution of Clime Private shares on a 1 on 1 basis by way of a capital reduction. The demerger was to simplify Clime's structure and to potentially unlock shareholder value. The distribution of Clime Private shares involved a reduction in Clime's paid up share capital (Contributed equity).

This demerger was completed on 11 November 2016.

As a result of this Demerger, the carrying value of Jasco Holdings Limited of \$7,802,806 at the record date (3 November 2016) was debited share capital account and Investments in Jasco de-recognised. Consequently, the deferred tax liability amount of \$1,941,185 carried in the books in relation to the unrealised gains was credited to the statement of profit or loss and other comprehensive income.

## DIRECTORS' DECLARATION

for the Half-Year ended 31 December 2016

Clime Investment Management Limited and Controlled Entities

The Directors declare that:

- (a) in the directors' opinion, the financial statements and notes set out on pages 5 to 14 are in accordance with the *Corporations Act 2001*; and
  - (i) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*; and
  - (ii) give a true and fair view of the financial position of the consolidated entity as at 31 December 2016 and of its performance for the half-year ended on that date.
- (b) In the Directors' opinion, there are reasonable grounds, at the date of this declaration, to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors' and is signed for and on behalf of the Directors' by:



Donald McLay  
Chairman



Neil Schafer  
Director

Sydney, 24 February 2017

**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF CLIME INVESTMENT MANAGEMENT LIMITED  
ABN 37 067 185 899**

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Clime Investment Management Limited ("the company") and its Controlled Entities ("the consolidated entity"), which comprises the consolidated statement of financial position as at 31 December 2016, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of significant accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising Clime Investment Management Limited and the entities it controlled at the half-year's end or from time to time during the half-year.

**Directors' Responsibility for the Half-Year Financial Report**

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: "*Review of a Financial Report Performed by the Independent Auditor of the Entity*", in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporation Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: "*Interim Financial Reporting*" and the *Corporations Regulations 2001*. As the auditor of Clime Investment Management Limited and the entities it controlled, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of the half-year financial report consists of making enquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF CLIME INVESTMENT MANAGEMENT LIMITED  
ABN 37 067 185 899**

**Independence**

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

**Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Clime Investment Management Limited is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and *Corporations Regulations 2001*.



S M WHIDDETT  
Partner

24 February 2017



PITCHER PARTNERS  
Sydney

# Clime Investment Management Limited

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